

# Independent Contractor Policy



**WHAT'S THE PROBLEM:** Whether a person who works for your company is an “employee” or “independent contractor” is a crucial question because of the differences in payroll treatment. You must make EI, CCP or income tax deductions and pay payroll taxes for employees but not independent contractors. And, independent contractors don't generally qualify for vacation, holiday pay and other benefits under employment standards laws the way employees do. Bottom Line: Classifying a worker as an independent contractor can save you thousands of dollars per worker each year.

Unfortunately, it can also get you (and the worker) into a lot of trouble. If the CRA thinks the worker is really an employee, it can order you to pay fines and both the employer and employee portions of CPP contributions and EI premiums, as well as interest on unpaid amounts. It can also demand additional withholdings for tax and workers' compensation. And the worker whom you misclassified as an independent contractor may sue you for reimbursement for expenses she thought she could deduct as an independent contractor that CRA subsequently disallowed.

**HOW TOOL HELPS SOLVE THE PROBLEM:** Here's a Model Independent Contractor Policy you can adapt for use at your organization. :

- The requirements of your jurisdiction's employment standards laws with regard to compassionate care leave; and
- The obligations you've agreed to under individual employment contracts and collective agreements.